



EUROPEAN COMMISSION

Brussels, 01.IX.2006
C(2006)4027

**Subject: State aid n° N 504/2006 – United Kingdom
Extension of the Northern Ireland Film Production Fund
(originally approved as State aid N 353/03)**

Madam,

1 PROCEDURE

1. On 26 July 2006, the Commission received a notification from the UK authorities under the simplified procedure concerning the 1-year extension of the Northern Ireland film production fund.
2. The original scheme (aid N 353/03) approved by the Commission on 10 December 2003 was due to continue until 31 December 2006. The UK authorities would now like to extend the scheme until 31 December 2007. There will be no increase in the budget and all other aspects of the scheme will remain unchanged.

2 DESCRIPTION OF THE SCHEME

3. The notified scheme extends the previously approved scheme by one year with no additional budget. The granting and eligibility conditions of the original scheme are unchanged.
4. The scheme assists film and television production in Northern Ireland by providing support in the form of loans. The annual budget was £1.835 million (€2.73 million).
5. Owing to a significant underspend in the first year of the original scheme, due to the time taken to raise awareness of the scheme, the full budget is not expected to have been expended by 31 December 2006. Subject to approval of the 1-year extension,

The Right Hon Margaret Beckett MP
Secretary of State for Foreign and
Commonwealth Affairs
Downing Street
London SW1A 2AL

assistance will be granted under the existing scheme up to 31 March 2007¹. However, the scheme will need to operate beyond this date as it takes between 6 and 9 months to draw down financial assistance due to the film production cycle. This is why the UK authorities would now like to extend the scheme until 31 December 2007.

3 ASSESSMENT OF THE SCHEME

6. The UK authorities have complied with the procedural requirements of Article 88(3) of the EC Treaty by notifying the extension of the aid scheme.
7. The UK authorities have notified the extension of the scheme under the simplified procedure. According to Article 4(2) of the Procedural regulation², the following alterations to existing aid shall be notified under the simplified procedure:
 - (a) increases in the budget of an authorised aid scheme exceeding 20 %;
 - (b) prolongation of an existing authorised aid scheme by up to six years, with or without an increase in the budget;
 - (c) tightening of the criteria for the application of an authorised aid scheme, a reduction of aid intensity or a reduction of eligible expenses;
8. In this case, the scheme is being extended by one year. The simplified procedure has therefore been correctly applied by the UK authorities.

3.1 EXISTENCE OF AID

9. According to Article 87(1) of the EC Treaty, save as otherwise provided in the Treaty, any aid granted by a Member State or through State resources in any form whatsoever, which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall be incompatible with the common market, in so far it affects trade between Member States.
10. As explained in the decision concerning the original scheme, state resources are involved and the scheme favours a specific sector in a way which could affect trade between the Member States.

3.2 COMPATIBILITY WITH STATE AID RULES

11. Although the 3-year duration of the original scheme is due to be extended by an additional year, there will be no increase in the budget of the original scheme and, indeed, all other aspects of the original scheme will remain unchanged.
12. Consequently, for the same reasons as explained in the decision of 10 December 2003 concerning the original scheme, the scheme constitutes State aid as defined in

¹ The UK authorities are preparing to notify a new scheme which will be applicable from 1 April 2007.

² Commission Regulation (EC) No 794/2004 of 21 April 2004 implementing Council Regulation (EC) No 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty *Official Journal L 140/1, 30.04.2004, p. 1-134*

Article 87(1) of the EC Treaty and the extended scheme would continue to fulfil the compatibility criteria as set out in the “Audiovisual Communication”³.

4. DECISION

13. The Commission has accordingly decided to consider that the extension of the Northern Ireland Film Production Fund until 31 December 2007 is compatible with Article 87(3)d of the EC Treaty.

The Commission reminds the UK authorities to submit an annual report on the implementation of the scheme and that any plans to modify this aid scheme must be notified in due course to the Commission.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: http://europa.eu.int/comm/secretariat_general/sgb/state_aids/. Your request should be sent by encrypted e-mail to stateaidgreffe@ec.europa.eu or, alternatively, by registered letter or fax to:

European Commission
Competition Directorate-General
State Aid Greffe
B-1049 Brussels

Fax No: +32 2 296 1242

Yours faithfully,
For the Commission

Neelie KROES
Member of the Commission

³ Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on certain legal aspects relating to cinematographic and other audiovisual works (COM(2001)534 final of 26.09.2001, OJ C 43 of 16.2.2002).

Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on the follow-up of the Commission communication on certain legal aspects relating to cinematographic and other audiovisual works of 26.09.2001 (COM(2004)171 final of 16.3.2004, OJ C 123 of 30 April 2004).